

HUNTINGTON CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

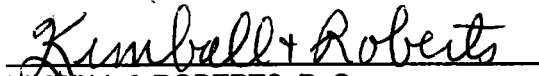
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huntington City as of and for the year ended June 30, 2005, which collectively comprise Huntington City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huntington City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of Huntington City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the City's infrastructure and budgetary comparison information on pages 4 through 14, 44 and 45 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 12, 2005
Richfield, Utah

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is used to assist in formatting, for easier reading)

HUNTINGTON CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2005

This discussion of Huntington City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and interest on long-term debt.

Financial Highlights

- * The assets of Huntington City exceeded its liabilities as of the close of the most recent year by \$10,826,223 (net assets). Of this amount, \$2,084,466 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$259,127. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Huntington City's governmental funds reported combined ending fund balances of \$1,720,002, a decrease of \$39,777 in comparison with the prior year. Approximately 81 percent of this total amount, \$1,392,979 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$147,300, or 20 percent of total general fund expenditures.
- * Huntington City's total debt decreased by \$106,500 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Huntington City's basic financial statements. Huntington City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Huntington City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Huntington City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huntington City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Huntington City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Huntington City include general government, public safety, highways and public improvements, parks and recreation, and cemetery. The business-type activities of Huntington City are water, sewer and secondary water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Huntington City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Huntington City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Huntington City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, municipal building authority and capital project fund all of which are considered to be major funds.

Huntington City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Huntington City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these two funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, and secondary water which are considered to be a major funds of Huntington City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Huntington City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Huntington City, assets exceeded liabilities by \$10,826,223 at the close of the most recent fiscal year. By far the largest portion of Huntington City's net assets (78 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Huntington City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	1,738,562	1,698,899	730,609	677,263	2,469,171	2,376,162
Capital Assets	<u>7,203,838</u>	<u>6,971,711</u>	<u>1,893,702</u>	<u>1,980,181</u>	<u>9,097,540</u>	<u>8,951,892</u>
Total Assets	<u>8,942,400</u>	<u>8,670,610</u>	<u>2,624,311</u>	<u>2,657,444</u>	<u>11,566,711</u>	<u>11,328,054</u>
Long-Term Liabilities	496,436	634,500	94,000	171,000	590,436	805,500
Other Liabilities	<u>92,380</u>	<u>67,553</u>	<u>57,672</u>	<u>10,435</u>	<u>150,052</u>	<u>77,988</u>
Total Liabilities	<u>588,816</u>	<u>702,053</u>	<u>151,672</u>	<u>181,435</u>	<u>740,488</u>	<u>883,488</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	6,633,582	6,334,781	1,757,152	1,807,631	8,390,734	8,142,412
Restricted	327,023	312,119	24,000	22,000	351,023	334,119
Unrestricted	<u>1,392,979</u>	<u>1,321,657</u>	<u>691,487</u>	<u>646,378</u>	<u>2,084,466</u>	<u>1,968,035</u>
Total Net Assets	<u>8,353,584</u>	<u>7,968,557</u>	<u>2,472,639</u>	<u>2,476,009</u>	<u>10,826,223</u>	<u>10,444,566</u>

A portion of Huntington City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,084,466) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Huntington City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Huntington City's net assets by \$262,497. The changes are reflected below.

Huntington City's Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	76,983	47,305	304,104	247,775	381,087	295,080
Operating Grants	86,191	139,219	-	-	86,191	139,219
Capital Grants	85,133	175,000			85,133	175,000
General Revenues:						
Property Taxes	60,607	61,722	-	-	60,607	61,722
Other Taxes	417,801	402,475	-	-	417,801	402,475
Unrestricted Investment Earnings	55,293	36,791	-	-	55,293	36,791
Total Revenues	782,008	862,512	304,104	247,775	1,086,112	1,110,287
Expenses:						
General Government	312,872	308,114	-	-	312,872	308,114
Public Safety	21,347	18,909	-	-	21,347	18,909
Highways and Public Improvements	38,322	38,960	-	-	38,322	38,960
Parks and Recreation	102,110	89,887	-	-	102,110	89,887
Interest on Long-Term Debt	4,860	5,430	18,863	23,897	23,723	29,327
Water, Sewer & Secondary	-	-	328,611	244,127	328,611	244,127
Total Expenses	479,511	461,300	347,474	268,024	826,985	729,324
Increase in Net Assets Before Transfers	302,497	401,212	(43,370)	(20,249)	259,127	380,963
Transfers	(40,000)	39,000	40,000	(39,000)	0	0
Increase in Net Assets	262,497	440,212	(3,370)	(59,249)	259,127	380,963
Net Assets - Beginning	8,091,087	7,650,875	2,476,009	2,535,258	10,567,096	10,186,133
Net Total Net Assets	8,353,584	8,091,087	2,472,639	2,476,009	10,826,223	10,567,096

- * The City received a capital grant of \$40,000 from the Department of Transportation used for street lights. A grant of \$45,133 from CDBG for playground equipment.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Some noteworthy exceptions, however, were Huntington City's expended \$43,607 on water shares, \$101,110 on street lights, \$55,845 on playground equipment, \$38,788 on recreation improvements and \$19,105 on town hall renovation.

Business-Type Activities

Business-type activities decreased Huntington City's net assets by -\$3,370 accounting for 100 percent of the total decrease in the government's net assets.

- * The revenues were less than the adopted budget amounts, and expenses were less than the adopted budget amounts.
- * The depreciation in the enterprise funds remained the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, Huntington City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Huntington City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Huntington City's governmental funds reported combined ending fund balances of \$1,720,002, a decrease of \$39,777 in comparison with the prior year. Approximately 81 percent of this amount (\$1,192,979) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$203,158 and perpetual care \$123,865.

The general fund is the chief operating fund of Huntington City. At the end of the current year, unreserved fund balance of the general fund was \$147,300, while total fund balance reached \$474,323. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20 percent of total general fund expenditures, while total fund balance represents 65 percent of that same amount.

Proprietary Funds

Huntington City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water, sewer and secondary water funds at the end of the year were \$691,487. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Actual revenues were less than budgeted revenues by \$314,524 and actual expenditures were less than budgeted expenditures by \$247,080 resulting in a net decrease in fund balance of \$67,444.

Capital Asset and Debt Administration

Capital Assets

Huntington City's investment in capital assets for its governmental activities as of June 30, 2005, was \$7,203,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter and bridges.

The total increase in Huntington City's investment in capital assets for the current year was \$294,848. Major capital asset events during the current year included the following:

- * Roads \$70,000.
- * Buildings \$19,105.
- * Improvements \$139,898.
- * Machinery and equipment \$65,845.

Also, the City has elected to use the modified approach to account for its infrastructure assets, such as roads sidewalks and curb and gutter. That information can be found in the required supplemental information following the notes to the financial statements.

Huntington City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	137,210	137,210	40,945	40,945	178,155	178,155
Water Shares			888,393	844,786	888,393	844,786
Infrastructure	5,767,423	5,697,423	-	-	5,767,423	5,697,423
Buildings	789,220	799,572	-	-	789,220	799,572
Improvements Other than Buildings	404,387	281,536	964,364	1,094,450	1,368,751	1,375,986
Equipment	105,598	55,970			105,598	55,970
Total	<u>7,203,838</u>	<u>6,971,711</u>	<u>1,893,702</u>	<u>1,980,181</u>	<u>9,097,540</u>	<u>8,951,892</u>

Additional information on Huntington City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Huntington City had total bonded debt outstanding of \$699,000. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Huntington City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	\$564,000	\$634,500	\$135,000	\$171,000	\$699,000	\$805,500

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The City has no general obligation debt.

Additional information on Huntington City's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- * The City raised the water and sewer rates \$3 each beginning July 1, 2004. This increase was a pass-through from the Castle Valley Special Service District, who maintains the City's water and sewer facilities.
- * The City contracted with another sanitation company during the year and reduced its sanitation rates to its citizens.

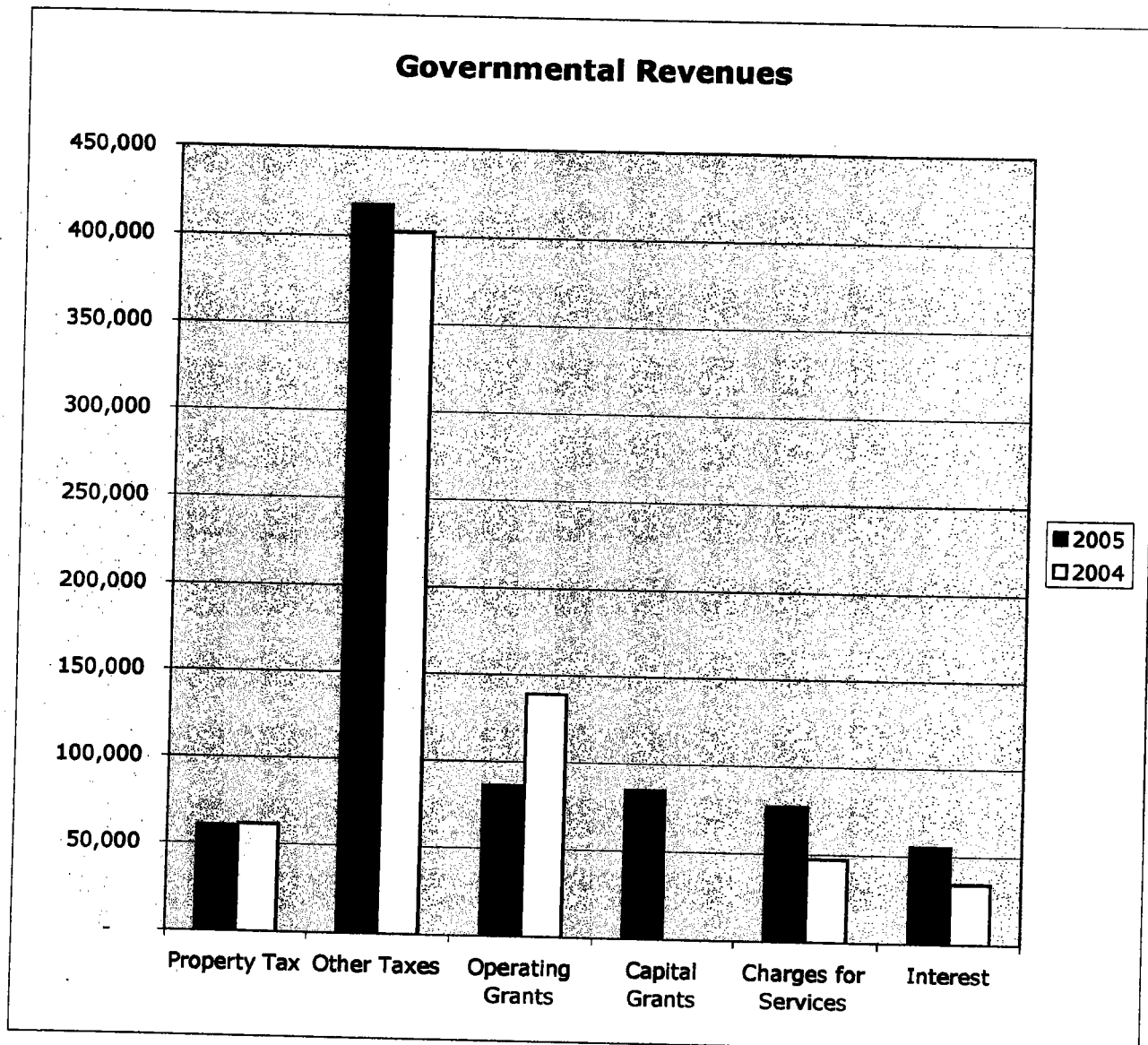
This factor was considered in preparing Huntington City's budget for the 2004-2005 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Huntington City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huntington City Recorder, P.O. Box 126, Huntington, Utah, 84528-0126

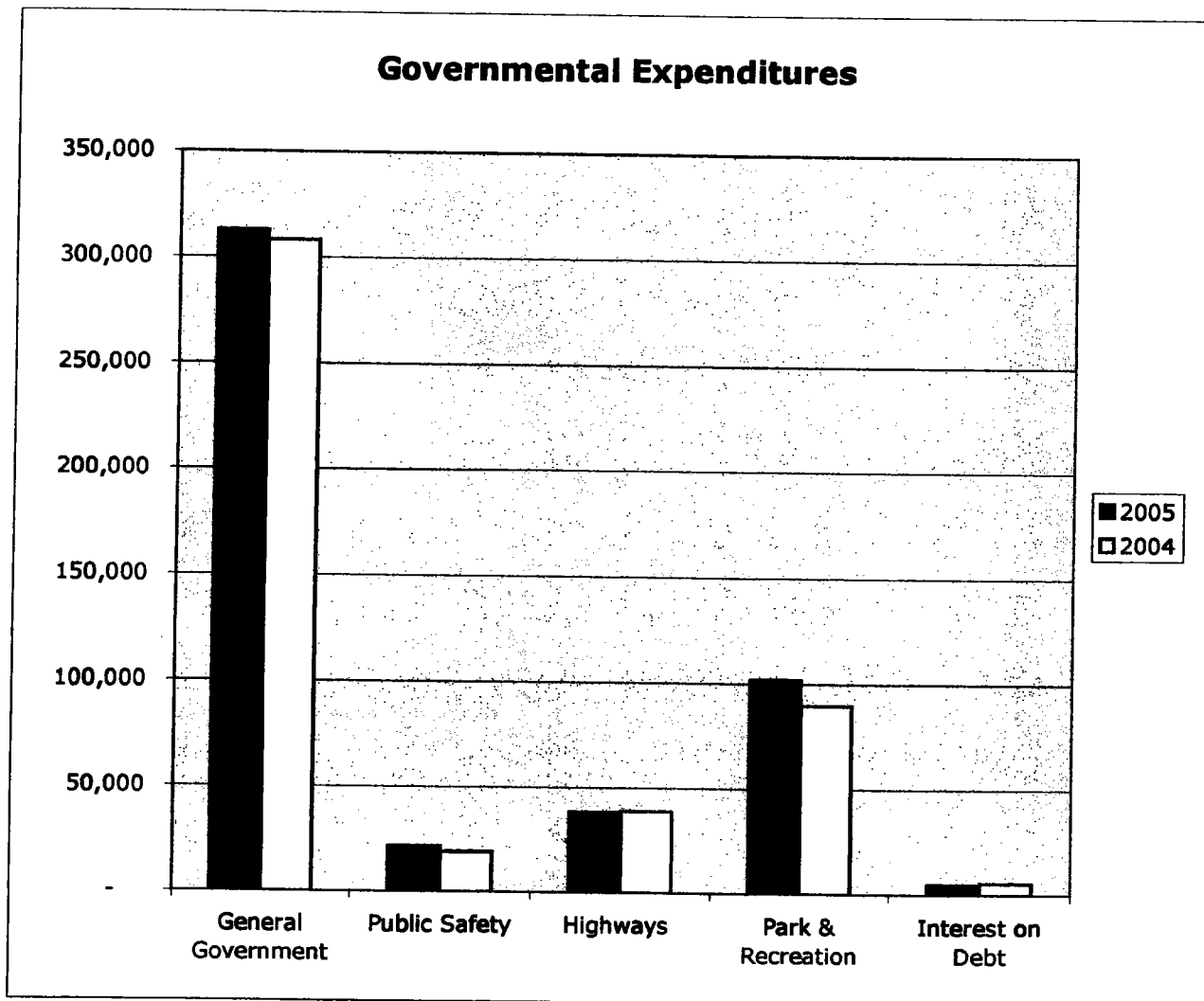
**Huntington City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Property Tax	60,607	61,722
Other Taxes	417,801	402,475
Operating Grants	86,191	139,219
Capital Grants	85,133	-
Charges for Services	76,983	47,305
Interest	55,293	34,237
Total Revenues	782,008	684,958



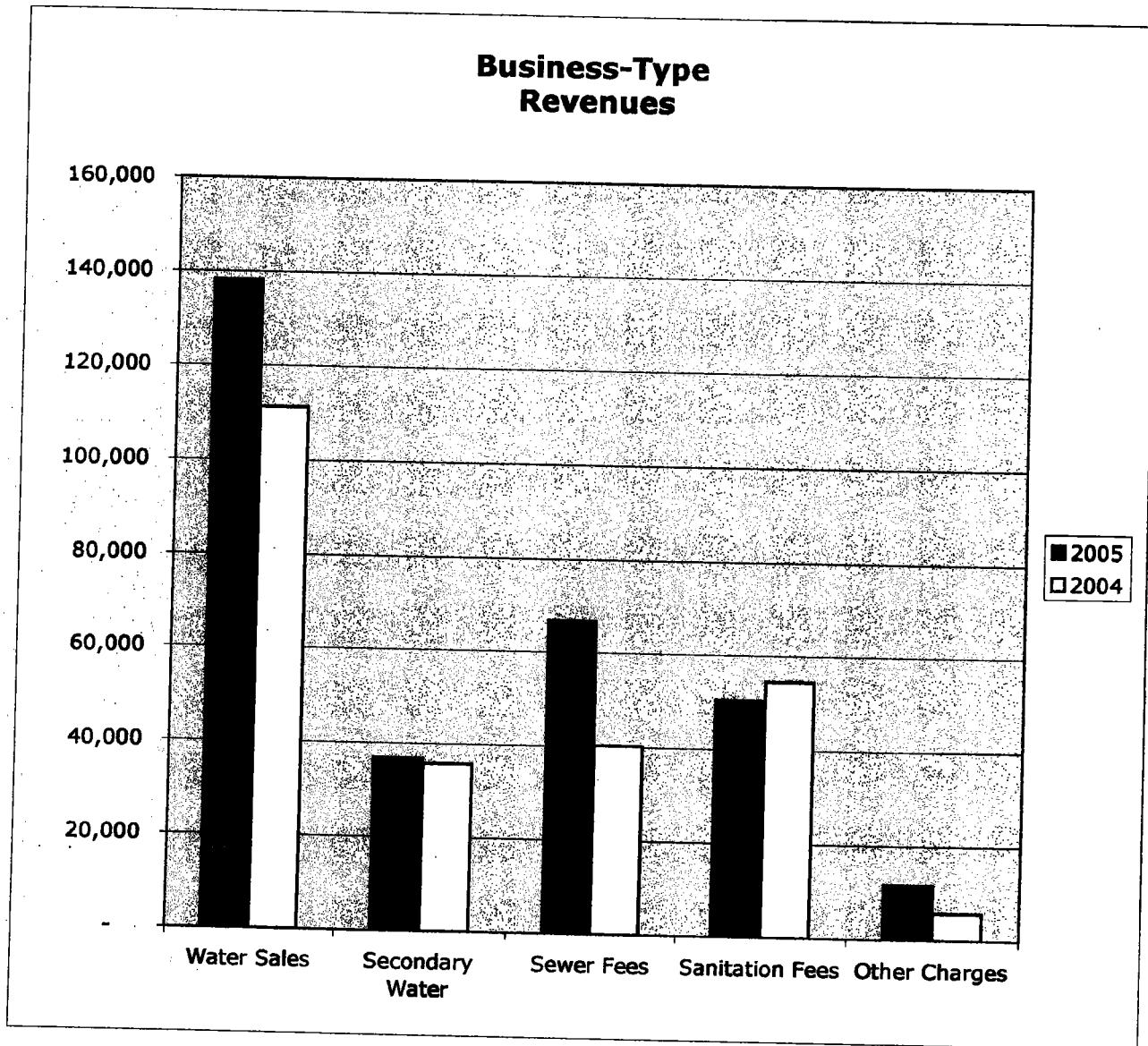
**Huntington City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	312,872	308,114
Public Safety	21,347	18,909
Highways	38,322	38,960
Park & Recreation	102,110	89,887
Interest on Debt	4,860	5,430
Total Expenditures	479,511	461,300



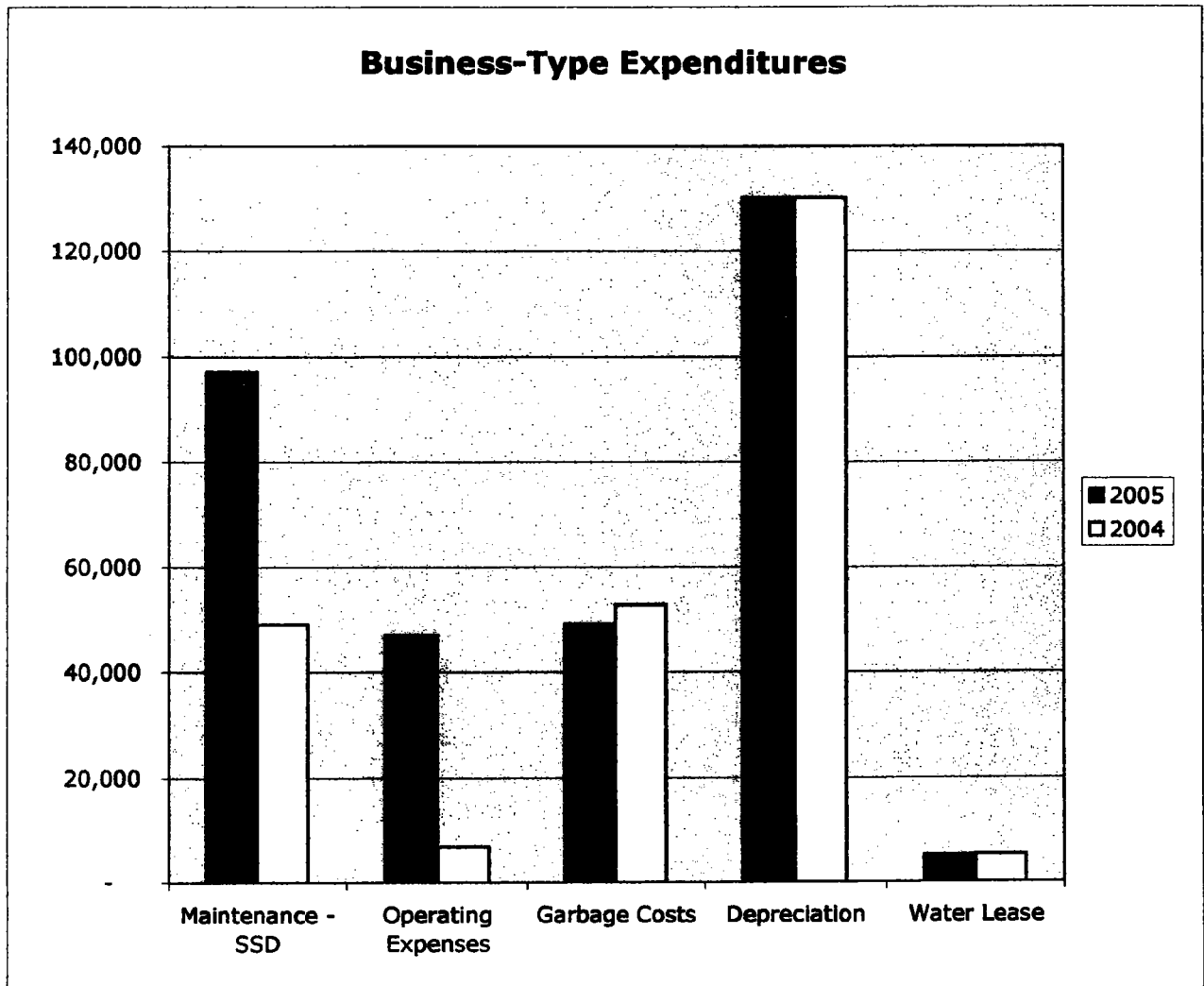
**Huntington City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Water Sales	138,189	111,326
Secondary Water	36,820	35,800
Sewer Fees	66,815	40,306
Sanitation Fees	50,490	54,546
Other Charges	11,790	5,797
Total Revenues	304,104	247,775



**Huntington City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Maintenance - SSD	97,125	49,102
Operating Expenses	47,073	6,840
Garbage Costs	49,148	52,789
Depreciation	130,086	130,086
Water Lease	5,179	5,310
Total Expenditures	328,611	244,127



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BASIC FINANCIAL STATEMENTS

**HUNTINGTON CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	1,721,136	678,087	2,399,223
Accounts Receivable (Net)	-	28,522	28,522
Due From Other Government Units	17,426	-	17,426
Total Current Assets	1,738,562	706,609	2,445,171
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	24,000	24,000
Capital Assets (Net of Accumulated Depreciation):			
Land	137,210	40,945	178,155
Water Shares	-	888,393	888,393
Buildings	789,220	-	789,220
Improvements Other Than Buildings	404,387	964,364	1,368,751
Equipment	105,598	-	105,598
Infrastructure	5,767,423	-	5,767,423
Total Noncurrent Assets	7,203,838	1,917,702	9,121,540
TOTAL ASSETS	8,942,400	2,624,311	11,566,711
LIABILITIES			
Current Liabilities:			
Accounts Payable	18,560	9,872	28,432
Deposits Payable	-	5,250	5,250
Bond Interest Payable	1,820	1,550	3,370
Revenue Bonds Payable - Due Within One Year	72,000	41,000	113,000
Total Current Liabilities	92,380	57,672	150,052
Noncurrent Liabilities:			
Revenue Bonds Payable - More Than One Year	492,000	94,000	586,000
Compensated Absences	4,436	-	4,436
Total Noncurrent Liabilities	496,436	94,000	590,436
TOTAL LIABILITIES	588,816	151,672	740,488
NET ASSETS			
Investment in Capital Assets, Net of Debt	6,633,582	1,757,152	8,390,734
Restricted For:			
Bond Retirement	-	24,000	24,000
Perpetual Care	123,865	-	123,865
Class C Road	203,158	-	203,158
Unrestricted	1,392,979	691,487	2,084,466
TOTAL NET ASSETS	8,353,584	2,472,639	10,826,223
TOTAL LIABILITIES AND NET ASSETS	8,942,400	2,624,311	11,566,711

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions		Governmental Activities	Primary Government	
			Operating Grants/ Contributions	Capital Grants/ Contributions		Business-Type Activities	Total
Governmental Activities:							
General Government	312,872	68,940	-	-	(243,932)	-	(243,932)
Public Safety	21,347	-	1,676	-	(19,671)	-	(19,671)
Highways and Public Improvements	38,322	-	84,515	40,000	86,193	-	86,193
Park and Recreation	102,110	8,043	-	45,133	(48,934)	-	(48,934)
Interest on Long-Term Debt	4,860	-	-	-	(4,860)	(18,863)	(23,723)
Total Governmental Activities	479,511	76,983	86,191	85,133	(231,204)	(18,863)	(250,067)
Business-Type Activities:							
Utility Systems	328,611	304,104	-	-	-	(24,507)	(24,507)
Total Primary Government	808,122	381,087	86,191	85,133	(231,204)	(43,370)	(274,574)
General Revenues:							
Property Taxes					60,607	-	60,607
Fee-In-Lieu of Property Taxes					18,028	-	18,028
Sales Taxes					341,024	-	341,024
Franchise Taxes					58,749	-	58,749
Unrestricted Investment Earnings					55,293	-	55,293
Transfers					(40,000)	40,000	-
Total General Revenues and Transfers					493,701	40,000	533,701
Change in Net Assets					262,497	(3,370)	259,127
Net Assets - Beginning					8,091,087	2,476,009	10,567,096
Net Assets - Ending					8,353,584	2,472,639	10,826,223

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	General Fund	Building Authority	Capital Improvement	Non-Major Perpetual Care Permanent Fund	Total
ASSETS					
Cash and Cash Equivalents	351,592	8	1,245,671	123,865	1,721,136
Due From Other Government Units	17,426	-	-	-	17,426
TOTAL ASSETS	<u>369,018</u>	<u>8</u>	<u>1,245,671</u>	<u>123,865</u>	<u>1,738,562</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	18,560	-	-	-	18,560
Total Liabilities	<u>18,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,560</u>
Fund Balances:					
Reserved For:					
Perpetual Care	-	-	-	123,865	123,865
Class "C" Road	203,158	-	-	-	203,158
Unreserved, Reported In:					
General Fund	147,300	-	-	-	147,300
Special Revenue Funds	-	8	-	-	8
Capital Project Fund	-	-	1,245,671	-	1,245,671
Total Fund Balance	<u>350,458</u>	<u>8</u>	<u>1,245,671</u>	<u>123,865</u>	<u>1,720,002</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>369,018</u>	<u>8</u>	<u>1,245,671</u>	<u>123,865</u>	<u>1,738,562</u>

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	1,720,002
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	137,210	
Buildings	789,220	
Improvements	404,387	
Equipment	105,598	
Infrastructure	<u>5,767,423</u>	
 Total		 7,203,838

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue Bonds Payable	(564,000)	
Interest Payable	(1,820)	
Compensated Absences	<u>(4,436)</u>	
 Total		 <u>(570,256)</u>

Net Assets of Government Activities	<u><u>8,353,584</u></u>
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HUNTINGTON CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Building Authority	Capital Improvement	Non-Major Perpetual Care Permanent Fund	Total
Revenues:					
Taxes	478,408				478,408
Licenses and Permits	9,313	-	-	-	9,313
Intergovernmental Revenue	171,324	-	-	-	171,324
Charges for Services	47,043	-	-	-	47,043
Perpetual Care	-	-	-	1,335	1,335
Interest	49,955	148	-	5,190	55,293
Miscellaneous Revenues	9,292	10,000	-	-	19,292
Total Revenues	765,335	10,148	-	6,525	782,008
Expenditures:					
Current:					
General Government	294,699	-	-	-	294,699
Public Safety	20,052	-	-	-	20,052
Highways and Public Improvements	30,358	-	-	-	30,358
Parks and Recreation	66,468	-	-	-	66,468
Capital Outlay	252,367	14,013	28,468	-	294,848
Debt Service:					
Principal	60,500	10,000	-	-	70,500
Interest	4,860	-	-	-	4,860
Total Expenditures	729,304	24,013	28,468	-	781,785
Excess Revenues Over (Under) Expenditures	36,031	(13,865)	(28,468)	6,525	223
Other Financing Sources (Uses):					
Transfers In	5,190	5,000	65,000	-	75,190
Transfers Out	(110,000)	-	-	(5,190)	(115,190)
Total Other Financing	(104,810)	5,000	65,000	(5,190)	(40,000)
Net Change In Fund Balance	(68,779)	(8,865)	36,532	1,335	(39,777)
Fund Balance - Beginning	419,237	8,873	1,209,139	122,530	1,759,779
Fund Balance - Ending	350,458	8	1,245,671	123,865	1,720,002

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	(39,777)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	294,848	
Depreciation Expense	<u>(62,721)</u>	
Total		232,127

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Bonds	70,500	
Compensated Absences	<u>(964)</u>	
Total		69,536

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Interest Payable		<u>611</u>
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Changes In Net Assets of Governmental Activities	<u><u>262,497</u></u>
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**HUNTINGTON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activities Enterprise Fund		
	<u>Water and Sewer Fund</u>	<u>Secondary Water System</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	501,598	200,489	702,087
Accounts Receivable	<u>24,959</u>	<u>3,563</u>	<u>28,522</u>
Total Current Assets	<u>526,557</u>	<u>204,052</u>	<u>730,609</u>
Noncurrent Assets:			
Capital Assets: (Net of Accum. Depreciation)			
Land	40,945	-	40,945
Water Shares	888,393	-	888,393
Improvements Other Than Buildings	<u>858,751</u>	<u>105,613</u>	<u>964,364</u>
Total Noncurrent Assets	<u>1,788,089</u>	<u>105,613</u>	<u>1,893,702</u>
TOTAL ASSETS	<u>2,314,646</u>	<u>309,665</u>	<u>2,624,311</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	9,872	-	9,872
Deposits Payable	5,250	-	5,250
Bond Interest Payable	1,550	-	1,550
Bonds Payable - Current Portion	<u>41,000</u>	<u>-</u>	<u>41,000</u>
Total Current Liabilities	<u>57,672</u>	<u>-</u>	<u>57,672</u>
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	<u>94,000</u>	<u>-</u>	<u>94,000</u>
TOTAL LIABILITIES	<u>151,672</u>	<u>-</u>	<u>151,672</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,651,539	105,613	1,757,152
Restricted for:			
Bond Reserves	-	24,000	24,000
Unrestricted	<u>511,435</u>	<u>180,052</u>	<u>691,487</u>
TOTAL NET ASSETS	<u>2,162,974</u>	<u>309,665</u>	<u>2,472,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,314,646</u>	<u>309,665</u>	<u>2,624,311</u>

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activities Enterprise Fund		
	<u>Water and Sewer Fund</u>	<u>Secondary Water System</u>	<u>Total</u>
Operating Revenues:			
Charges for Sales and Services:			
Water Fees	138,189	36,820	175,009
Sewer Fees	66,815	-	66,815
Sanitation Fees	50,490	-	50,490
Other Charges	11,790	-	11,790
	<u>267,284</u>	<u>36,820</u>	<u>304,104</u>
Total Operating Revenues			
Operating Expenses:			
Costs of Sales and Services	174,401	24,124	198,525
Depreciation	118,471	11,615	130,086
	<u>292,872</u>	<u>35,739</u>	<u>328,611</u>
Total Operating Expenses			
Operating Income	<u>(25,588)</u>	<u>1,081</u>	<u>(24,507)</u>
Nonoperating Revenues (Expenses):			
Interest Expense	<u>(18,863)</u>	<u>-</u>	<u>(18,863)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,863)</u>	<u>-</u>	<u>(18,863)</u>
Income Before Transfers	<u>(44,451)</u>	<u>1,081</u>	<u>(43,370)</u>
Transfers In (Out)	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Change in Net Assets	<u>(4,451)</u>	<u>1,081</u>	<u>(3,370)</u>
Total Net Assets - Beginning	<u>2,167,425</u>	<u>308,584</u>	<u>2,476,009</u>
Total Net Assets - Ending	<u>2,162,974</u>	<u>309,665</u>	<u>2,472,639</u>

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activities Enterprise Fund		
	Water and Sewer Fund	Secondary Water System	Total
Cash Flows From Operating Activities:			
Receipts From Customers	259,797	36,490	296,287
Payments to Suppliers	(168,164)	(24,124)	(192,288)
Net Cash Provided by Operating Activities	91,633	12,366	103,999
Cash Flows from Noncapital Financing Activities:			
Transfer From Other Funds	40,000	-	40,000
Net Cash Provided (Used) by Noncapital Financing Activities	40,000	-	40,000
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(36,000)	-	(36,000)
Interest Paid on Capital Debt	(18,863)	-	(18,863)
Net Cash Provided (Used) by Capital and Related Financing Activities	(54,863)	-	(54,863)
Cash Flows from Investing Activities:			
Purchase of Water Shares	(43,607)	-	(43,607)
Net Cash Provided (Used) by Investing Activities	(43,607)	-	(43,607)
Net Increase (Decrease) in Cash and Cash Equivalents	33,163	12,366	45,529
Cash and Cash Equivalents - Beginning	468,435	188,123	656,558
Cash and Cash Equivalents - Ending	501,598	200,489	702,087
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	(25,558)	1,081	(24,477)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	118,471	11,615	130,086
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(7,517)	(330)	(7,847)
Accrued Liabilities	6,237	-	6,237
Total Adjustments	117,191	11,285	128,476
Net Cash Provided (Used) by Operating Activities	91,633	12,366	103,999

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Huntington City conform to accounting principles generally accepted in the United States of America as applicable to governments.

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Huntington City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Huntington City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Huntington City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to Huntington City for City purposes.

The Capital Improvement Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Improvements Other Than Buildings	33 Years
Equipment	7 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Cities require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$262,595 and the bank balance was \$448,264. Of the bank balance, \$200,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments:

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the state treasurer's investment pool. The City is also authorized to enter into reverse repurchase agreements.

The City's investments are categorized below to give an indication of the risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City in the City's name, and includes deposits collateralized by securities held by the City in the City's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the City's name, and includes deposits collateralized by securities held by the pledging institution in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the City's name, and includes deposits not insured or collateralized.

Investments at June 30, 2005, consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
Escrow Accounts				4,652
State Treasurer's Investment Pool				<u>2,155,976</u>
Total Investments				<u>2,160,628</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

Governmental	1,721,136
Proprietary	<u>702,087</u>
Total	<u>2,423,223</u>

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - WATER SHARES

The Water and Sewer Fund has a total of 5,716.31 water shares, which are shown at a cost of \$888,393. The current value of water shares is greater than the original cost.

NOTE 4 - PURCHASE OF WATER SHARES

During the year the City acquired 108.78 shares of water of the Huntington-Cleveland Irrigation Company at a cost of \$43,607.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Depreciated:				
Land	137,210	-	-	137,210
Infrastructure	<u>5,697,423</u>	<u>70,000</u>	-	<u>5,767,423</u>
 Total Capital Assets Not Being Depreciated	 <u>5,834,633</u>	 <u>70,000</u>	 -	 <u>5,904,633</u>
Capital Assets Being Depreciated:				
Buildings	1,030,985	19,105	-	1,050,090
Improvements Other Than Bldg.	391,158	139,898	-	531,056
Machinery and Equipment	<u>272,025</u>	<u>65,845</u>	-	<u>337,870</u>
 Total Capital Assets Being Depreciated	 <u>1,694,168</u>	 <u>224,848</u>	 -	 <u>1,919,016</u>
Less Accumulated Depreciation For:				
Buildings	231,413	29,457	-	260,870
Improvements Other Than Bldg.	109,622	17,047	-	126,669
Machinery and Equipment	<u>216,055</u>	<u>16,217</u>	-	<u>232,272</u>
 Total Accumulated Depreciation	 <u>557,090</u>	 <u>62,721</u>	 -	 <u>619,811</u>
 Total Capital Assets Being Depreciated (Net)	 <u>1,137,078</u>	 <u>162,127</u>	 -	 <u>1,299,205</u>
 Governmental Activities Capital Assets, Net	 <u>6,971,711</u>	 <u>232,127</u>	 -	 <u>7,203,838</u>

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	40,945	-	-	40,945
Water Stock	<u>844,786</u>	<u>43,607</u>	<u>-</u>	<u>888,393</u>
 Total Capital Assets Not Being Depreciated	 <u>885,731</u>	 <u>43,607</u>	 <u>-</u>	 <u>929,338</u>
 Capital Assets Being Depreciated:				
Equipment	25,100	-	-	25,100
Utility Systems	<u>4,294,232</u>	<u>-</u>	<u>-</u>	<u>4,294,232</u>
 Total Capital Assets Being Depreciated	 <u>4,319,332</u>	 <u>-</u>	 <u>-</u>	 <u>4,319,332</u>
 Less Accumulated Depreciation For:				
Equipment	25,100	-	-	25,100
Utility Systems	<u>3,199,782</u>	<u>130,086</u>	<u>-</u>	<u>3,329,868</u>
 Total Accumulated Depreciation	 <u>3,224,882</u>	 <u>130,086</u>	 <u>-</u>	 <u>3,354,968</u>
 Total Capital Assets Being Depreciated (Net)	 <u>1,094,450</u>	 <u>(130,086)</u>	 <u>-</u>	 <u>964,364</u>
 Business Type Activities Capital Assets, Net	 <u>1,980,181</u>	 <u>(130,086)</u>	 <u>-</u>	 <u>1,893,702</u>
 Total Capital Assets	 <u><u>8,951,892</u></u>	 <u><u>102,041</u></u>	 <u><u>-</u></u>	 <u><u>9,097,540</u></u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	17,820	-	17,820
Public Safety	1,265	-	1,265
Public Health	-	130,086	130,086
Highways and Public Improvements	7,964	-	7,964
Parks and Recreation	<u>35,672</u>	<u>-</u>	<u>35,672</u>
Total Depreciation Expense	<u><u>62,721</u></u>	<u><u>130,086</u></u>	<u><u>192,807</u></u>

NOTE 6 - LONG-TERM DEBT

Utility Long-Term Debt

On June 27, 1988, Huntington City's Water and Sewer Utility Fund issued \$440,000 in water and sewer refunding revenue bonds (\$278,000 water and \$162,000 sewer) with an interest rate of 10.98% to advance refund \$884,681 of F. H. A. outstanding 1977 and 1978 water and sewer bonds with interest rates of 5%. The new proceeds of \$440,000 plus \$94,213 released from debt service escrow accounts, were used to retire the outstanding debt, accrued interest and other issuance costs.

The bond resolution approved in conjunction with the issuance of the Huntington City Water and Sewer revenue bonds provides, among other things, that certain funds be established and that certain accounting procedures be followed. Under the terms of the resolution the City irrevocably pledged that net revenues of the Utilities to the payment of the bonds and covenanted that rates will be established to yield net revenues, as defined, equal to at least 1.25 times the debt service to become due in the next fiscal year.

Revenue Bonds:

1988, \$162,000 Sewer Refunding Revenue Bond - held by Zions First National Bank, Twenty (20) year bond, 10.98% interest, payable in monthly installments, issued June of 1988. Principal balance at June 30, 2005, was \$50,000.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	15,000	5,490	20,490
2006/07	17,000	3,843	20,843
2007/08	<u>18,000</u>	<u>1,976</u>	<u>19,976</u>
Total	<u>50,000</u>	<u>11,309</u>	<u>61,309</u>

1988, \$278,000 Water Refunding Revenue Bond - held by Zions First National Bank, Twenty (20) year bond, 10.98% interest, payable in monthly installments, issued June of 1988. Principal balance at June 30, 2005, was \$85,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	26,000	9,333	35,333
2006/07	28,000	6,478	34,478
2007/08	<u>31,000</u>	<u>3,404</u>	<u>34,404</u>
Total	<u>85,000</u>	<u>19,215</u>	<u>104,215</u>

The following is a summary of utility long-term debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	41,000	14,823	55,823
2006/07	45,000	10,321	55,321
2007/08	<u>49,000</u>	<u>5,380</u>	<u>54,380</u>
Total	<u>135,000</u>	<u>30,524</u>	<u>165,524</u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Long-Term Debt:

CIB Loan:

During June of 1997, Huntington City received a CIB Grant for \$375,000 and a CIB Loan for \$375,000 for the purpose of financing a curb and gutter project within the City. The project is accounted for in the General Fund. The CIB Loan carries an interest rate of 3% and is payable in yearly installments over ten years beginning in 1999.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	40,000	3,690	43,690
2006/07	41,000	2,490	43,490
2007/08	42,000	1,260	43,260
	<u>123,000</u>	<u>7,440</u>	<u>130,440</u>
Total			

Street Improvement Revenue Bonds, Series 2002:

During January of 2002, Huntington City received a CIB Grant in the amount of \$222,500 and a loan in the amount of \$222,500 for the purpose of financing a curb and gutter project within the City. The project will be accounted for in the general fund and future Class C Road revenues are pledged to secure the debt. The CIB loan is interest free and is payable in annual installments over ten years beginning in December of 2004.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	22,000	-	22,000
2006/07	22,000	-	22,000
2007/08	22,000	-	22,000
2008/09	22,000	-	22,000
2009/10	22,000	-	22,000
2011/15	91,000	-	91,000
	<u>201,000</u>	<u>-</u>	<u>201,000</u>
Total			

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

2003/2004 CIB Loan:

During the year the City obtained a loan for \$250,000 from the Community Impact Board for the purpose of constructing improvements at the recreation and cemetery facilities. The terms of the loan require yearly payments of \$10,000 for 25 years. The loan is interest free.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	10,000	-	10,000
2006/07	10,000	-	10,000
2007/08	10,000	-	10,000
2008/09	10,000	-	10,000
2009/10	10,000	-	10,000
2011/15	50,000	-	50,000
2016/20	50,000	-	50,000
2021/25	50,000	-	50,000
2026/30	40,000	-	40,000
	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Total	<u>240,000</u>	<u>-</u>	<u>240,000</u>

The following is a schedule of General Long-Term Debt Service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/06	72,000	3,690	75,690
2006/07	73,000	2,490	75,490
2007/08	74,000	1,260	75,260
2008/09	32,000	-	32,000
2009/10	32,000	-	32,000
2011/15	141,000	-	141,000
2016/20	50,000	-	50,000
2021/25	50,000	-	50,000
2026/30	40,000	-	40,000
	<u>564,000</u>	<u>7,440</u>	<u>571,440</u>
Total	<u>564,000</u>	<u>7,440</u>	<u>571,440</u>

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt payable:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Utility Long-Term Debt:							
Water Refunding Revenue Bonds	1,988	10.98%	278,000	108,000	-	23,000	85,000
Sewer Refunding Revenue Bonds	1,988	10.98%	162,000	63,000	-	13,000	50,000
Total			440,000	171,000	-	36,000	135,000
General Long-Term Debt:							
1997 CIB Loan	1,997	3%	375,000	162,000	-	39,000	123,000
2002 CIB Loan	2,002	0%	222,500	222,500	-	21,500	201,000
2003 CIB Loan	2,003	0%	250,000	250,000	-	10,000	240,000
Total			847,500	634,500	-	70,500	564,000
Total Long-Term Debt			1,287,500	805,500	-	106,500	699,000

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

Compensated absences of Huntington City represent accrued vacation pay and associated payroll costs owed at June 30, 2005, in the amount of \$4,436.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated Absences	<u>3,472</u>	<u>964</u>	<u>-</u>	<u>4,436</u>

Municipal Building Authority:

The Municipal Building Authority (MBA) was organized on September 18, 1997 under Chapter 3, Title 17A, of the Utah Code Annotated. The trustees are the Mayor and City Councilmembers of the City. The MBA obtained funding from the Community Impact Board to help finance the construction of a new City Hall.

NOTE 7 - CAPITAL IMPROVEMENT FUND

On October 12, 1983, the City adopted an ordinance creating a Capital Improvement Fund for the purpose of financing the purchase of real property and the cost of planning, construction, or rehabilitating public buildings or other public works and capital improvements relating to recreation, parks, streets, or sidewalks. The fund will be for expenses necessary to construct, furnish and/or equip said public buildings or public works, or for the purchase of major road equipment.

The following is a statement of receipts and disbursements in the Capital Improvement Fund:

Fund Balance - Beginning of Year	1,209,139
Receipts:	
Transfer from General Fund	65,000
Disbursements	<u>(28,468)</u>
Fund Balance - End of Year	<u>1,245,671</u>

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - CLASS C ROAD - RESERVED FUND BALANCE

The following is a statement of receipts and disbursements in Class C Roads:

Reserved Fund Balance - Beginning of Year		266,517
Receipts:		
State of Utah Allotments	67,090	
Interest	<u>4,911</u>	
Total Receipts		72,001
Disbursements:		
Construction and Maintenance	(70,000)	
Bond Principal	(60,500)	
Bond Interest	<u>(4,860)</u>	
Total Disbursements		<u>(135,360)</u>
Reserved Fund Balance - End of Year		<u>203,158</u>

NOTE 9 - PERPETUAL CARE FUND

The following is a statement of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year		122,530
Receipts:		
Perpetual Care Payments	1,335	
Interest	<u>5,190</u>	
Total Receipts		6,525
Disbursements:		
Interest Credited to General Fund		<u>(5,190)</u>
Fund Balance - End of Year		<u>123,865</u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 10 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	110,000
Municipal Building Authority	5,000	-
Utility Fund	40,000	-
Capital Improvement	<u>65,000</u>	<u>-</u>
Totals	<u>110,000</u>	<u>110,000</u>

Transfers were made for the following purposes:

- * The General Fund transferred \$5,000 to the Building Authority for future capital outlays.
- * The General Fund transferred \$65,000 to the Capital Improvement Fund for future capital outlays.
- * The General Fund transferred \$40,000 to the Water Fund for the purchase of water shares.

NOTE 11 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Huntington City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 11 - PENSION PLAN (CONTINUED)

Funding Policy:

Huntington City is required to contribute a percent of covered salary to the following system; 11.90% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Huntington City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$12,419.56, \$10,996.11 and \$11,708.42. The contributions were equal to the required contributions for each year.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured with St. Paul Insurance Company for automobile liability coverage of \$1,000,000 each accident. Uninsured and underinsured motorist, \$1,000,000 each accident. Each City automobile is insured to value for collision and comprehensive with a \$1,000 deductible respectively. Some automobiles with little value are only insured for liability. The City is insured for personal injury and property damage each occurrence \$1,000,000. Personal injury, employee benefits injury and advertising injury limit \$1,000,000. The City is insured for commercial property and inland marine with 90% coinsurance and \$1,000 deductible and coverages on buildings and equipment as listed in policy.

Workers Compensation is through Worker's Compensation Fund of Utah. Other coverages such as fidelity bond coverage is provided through other coverages and is an amount greater than that required by State law.

The City had various other coverages. In the current fiscal year the City provided medical and health through a policy with Public Employees Health Plan (PEHP) of Utah. The maximum out-of-pocket expense per person per year is \$250 or \$750 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 13 - RELATED PARTY TRANSACTIONS

During the fiscal year there were related party transactions with two City Councilmembers. The amount paid to Mark Justice was \$23,633.75 and the amount paid to Hillary Gordan was \$2,721.25. These expenditures were all approved by the City Council.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

HUNTINGTON CITY CONDITION RATING OF THE CITY'S ROAD SYSTEM

For The Fiscal Year Ended June 30, 2005

Percentage of Lane-Miles in Good or Better Condition:

	<u>2005</u>	<u>2004</u>
Paved	88	85
Gravel	74	75
Dirt	94	95
Overall System	85	80
Bridges	70	70

Percentage of Lane-Miles in Substandard Condition in 2004:

	<u>2005</u>	<u>2004</u>
Paved	6	7
Gravel	9	10
Dirt	4	5
Overall System	7	8
Bridges	10	10

Comparison of Needed-to-Actual Maintenance/Preservation in 2004 - Roads and Bridges:

	<u>2005</u>	<u>2004</u>
Estimated	327,000	150,000
Actual	100,000	140,000

The condition of road pavement is measured using the American...(AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

This schedule only presents the information for 2004 and 2005. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the City implemented these new standards in 2004, and did not collect this information for the prior years. The City will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the City's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the City's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>419,237</u>	<u>419,237</u>	<u>419,237</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	54,065	54,065	55,805	1,740
Prior Years Taxes	6,000	6,000	4,802	(1,198)
Fee-In-Lieu	24,469	24,469	18,028	(6,441)
General Sales and Use Taxes	300,000	300,000	341,024	41,024
Franchise Taxes	<u>50,000</u>	<u>50,000</u>	<u>58,749</u>	<u>8,749</u>
Total Taxes	<u>434,534</u>	<u>434,534</u>	<u>478,408</u>	<u>43,874</u>
Licenses and Permits:				
Business Licenses	6,000	6,000	6,587	587
Building Permits	1,000	1,000	1,036	36
Animal Control	<u>1,200</u>	<u>1,200</u>	<u>1,690</u>	<u>490</u>
Total Licenses and Permits	<u>8,200</u>	<u>8,200</u>	<u>9,313</u>	<u>1,113</u>
Intergovernmental Revenue:				
State Liquor Allotment	2,000	2,000	1,676	(324)
Class C Road Fund	347,000	347,000	84,515	(262,485)
State Grants	35,000	35,000	40,000	5,000
Federal Grants	<u>47,550</u>	<u>47,550</u>	<u>45,133</u>	<u>(2,417)</u>
Total Intergovernmental Revenue	<u>431,550</u>	<u>431,550</u>	<u>171,324</u>	<u>(260,226)</u>
Charges for Services:				
Administrative Services	39,000	39,000	39,000	-
Sales of Cemetery Lots and Services	3,000	3,000	6,695	3,695
Park and Town Hall Fees	<u>1,500</u>	<u>1,500</u>	<u>1,348</u>	<u>(152)</u>
Total Charges for Services	<u>43,500</u>	<u>43,500</u>	<u>47,043</u>	<u>3,543</u>

Continued

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Miscellaneous Revenue:				
Interest	28,000	28,000	49,955	21,955
Rents and Concessions	5,400	5,400	3,850	(1,550)
Miscellaneous	200	200	5,442	5,242
Total Miscellaneous Revenue	33,600	33,600	59,247	25,647
Contributions and Transfers:				
Contributions from Surplus	135,000	135,000	-	(135,000)
Amounts Available for Appropriation	1,505,621	1,505,621	1,184,572	(321,049)
Charges to Appropriations (Outflows):				
General Government:				
City Council	31,400	31,400	27,128	4,272
Personnel	170,000	170,000	109,122	60,878
Treasurer	55,400	55,400	51,715	3,685
Recorder	46,900	46,900	41,321	5,579
Non-Departmental	242,059	242,059	230,005	12,054
Planning and Zoning	15,500	15,500	3,000	12,500
Total General Government	561,259	561,259	462,291	98,968
Public Safety:				
Public Safety	4,200	4,200	3,876	324
Fire Department	29,450	29,450	15,251	14,199
Animal Control	2,000	2,000	925	1,075
Total Public Safety	35,650	35,650	20,052	15,598
Streets and Public Improvements:				
Streets and Highways	42,500	42,500	30,358	12,142
Class "C" Roads	284,640	284,640	70,000	214,640
Total Streets and Public Improvements	327,140	327,140	100,358	226,782

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Parks, Recreation and Public Property:				
Arena	10,850	10,850	10,632	218
Heritage Days	13,000	13,000	10,438	2,562
Parks and Recreation	43,625	43,625	40,538	3,087
Cemetery	29,500	29,500	19,635	9,865
Total Parks, Recreation and Public Property	<u>96,975</u>	<u>96,975</u>	<u>81,243</u>	<u>15,732</u>
Debt Service:				
Principal and Interest	<u>65,360</u>	<u>65,360</u>	<u>65,360</u>	<u>-</u>
Transfers:				
Transfer to Other Funds	<u>-</u>	<u>-</u>	<u>104,810</u>	<u>(104,810)</u>
Total Charges to Appropriations	<u>1,086,384</u>	<u>1,086,384</u>	<u>834,114</u>	<u>252,270</u>
Budgetary Fund Balance - June 30, 2005	<u>419,237</u>	<u>419,237</u>	<u>350,458</u>	<u>(68,779)</u>

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>8,873</u>	<u>8,873</u>	<u>8,873</u>	<u>-</u>
Resources (Inflows):				
Interest	158	158	148	(10)
Charges for Services	10,000	10,000	10,000	-
Transfer from General Fund	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Resources (Inflows)	<u>15,158</u>	<u>15,158</u>	<u>15,148</u>	<u>(10)</u>
Amounts Available for Appropriation	<u>24,031</u>	<u>24,031</u>	<u>24,021</u>	<u>(10)</u>
Charges to Appropriations (Outflows):				
Capital Outlay	14,031	14,031	14,013	18
Debt Service - Principal	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Charges to Appropriations	<u>24,031</u>	<u>24,031</u>	<u>24,013</u>	<u>18</u>
Budgetary Fund Balance - June 30, 2005	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>

HUNTINGTON CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Building Authority</u>
Sources/Inflows and Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,184,572	24,021
Differences - Budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(419,237)	(8,873)
Transfers from other funds are inflows of budgetary resources but are not revenue for financial reporting purposes.	<u>-</u>	<u>(5,000)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>765,335</u></u>	<u><u>10,148</u></u>
Uses/Outflows of Resources:		
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	834,114	24,013
Differences - Budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(104,810)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>729,304</u></u>	<u><u>24,013</u></u>

(This page contains no information and
is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huntington City as and for the year ended June 30, 2005, which collectively comprise Huntington City's basic financial statements and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered Huntington City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntington City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Huntington City
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This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 12, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

We have audited the financial statements of Huntington City, for the year ended June 30, 2005 and have issued our report thereon dated August 12, 2005. As part of our audit, we have audited Huntington City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Street Light Grant (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of Huntington City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

Honorable Mayor and City Council
Huntington City
Page -2-

In our opinion, Huntington City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 12, 2005
Richfield, Utah